

29 MAY 1956

Approved For Release 2000/09/11 : CIA-RDP59-00224A000100560008-6

Calendar No. 1899

84TH CONGRESS }
2d Session }

SENATE

{ REPORT
No. 1878

DEPENDENTS' MEDICAL CARE ACT

APRIL 30 (legislative day, APRIL 26), 1956.—Ordered to be printed

Mr. RUSSELL, from the Committee on Armed Services, submitted the following

R E P O R T

[To accompany H. R. 9429]

The Committee on Armed Services, to whom was referred the bill (H. R. 9429) to provide medical care for dependents of members of the uniformed services, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill, as amended, do pass.

AMENDMENT TO THE BILL

Strike out all after the enacting clause and insert an amendment in the nature of a substitute.

PURPOSE OF THE BILL

The bill proposes to make uniform, and to expand, the medical care that is available to dependents of members of the uniformed services, a term that includes the Army, the Navy, the Air Force, the Marine Corps, the Coast Guard, and the commissioned corps of the Public Health Service and the Coast and Geodetic Survey.

Uniformity would be achieved by statutory definitions of the dependents eligible for medical care and the types of care to be provided.

Expansion of the available care would be achieved by authorizing contracts for providing medical care to spouses and children of persons on active duty by civilian physicians and hospitals.

HOW EXISTING SYSTEM OPERATES

The Armed Forces traditionally have provided medical care for dependents of military personnel whenever the necessary hospital space and medical officers were available and could be utilized without detriment to the primary mission of providing care for persons on active duty.

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The statutory basis for dependent medical care is fragmentary, with the result that there is some disparity in the types of care provided and the categories of dependents who are eligible to receive this care. For instance, the Navy does not treat dependents who have contagious diseases, nor does the Navy furnish hospitalization for nervous or mental diseases. The Army and the Air Force treat dependents who have contagious diseases and are not prohibited from furnishing domiciliary care or from treating nervous and mental disorders. While the Army and the Air Force provide care for parents-in-law if they receive more than one-half of their support from the members and for children over 21 who are physically or mentally incapacitated, dependents in these categories are not eligible for treatment by the Navy.

When the Coast Guard is not operating as a service in the Navy, dependents of members of the Coast Guard are eligible for treatment only in facilities of the Public Health Service.

More important than the disparities mentioned above is the fact that those dependents who do not have access to medical facilities of the uniformed services must pay for the care that they receive from civilian medical sources. Those dependents who reside near medical facilities of the uniformed services that have unused capacity thus have a significant advantage over dependents not accompanying their sponsor, and those living in areas where facilities of the services are overcrowded.

IMPORTANCE OF IMPROVED SYSTEM

Dependent medical care is one of the items dealt with generically under the term of "fringe benefits." Within the past few years, the Congress has devoted extensive consideration to the maintenance and restoration of fringe benefits as part of a program to make military careers more attractive and to meet the competing attractions of private industry. Although there has been no legislative action that curtailed the entitlement of dependents to medical care at Government expense, the amount of medical care that can be furnished in the existing circumstances is not a powerful inducement to a career in the uniformed services. This is true because private industry is extending liberal medical care privileges and because the maintenance of active-duty strengths at higher than normal peacetime levels, with an attendant increase in the number of dependents needing care, has created a workload that can hardly be met by the limited facilities and available physicians.

The President, the Secretary of Defense, and the Assistant Secretary of Defense for Manpower, Personnel, and Reserves have emphasized in recent communications to the Congress the desirability of liberalizing dependent medical care as one method to motivate competent persons to elect a career in the uniformed services.

WHAT THE BILL DOES

TITLE I

This title provides a uniform statutory basis for the furnishing of medical care to dependents of members of the uniformed services in the facilities of these services. By providing definitions of terms

and by specific inclusions and exclusions, title I sets forth the categories of dependents who are eligible for medical care and the types of care that will be provided in the facilities of the uniformed services.

Eligible dependents.—Definitions in this title establish eligibility to receive medical care for wives, unmarried legitimate children under 21 years of age, children over 21 who are incapable of self-support because of a physical or mental disability that existed prior to reaching this age, and children under the age of 23 who are full-time students. The children and the unremarried widows of deceased personnel are included. Similar definitions are provided for the dependents of female members of the uniformed services, except that a husband must be dependent on the member for over one-half of his support to be eligible and the unremarried widower of a deceased female member is eligible only if he was in fact dependent upon her at the time of her death for over one-half of his support because of a mental or physical disability.

The definition of "eligible dependents" would change current practices under which all the Armed Forces provide medical care for parents who are in fact dependent on the member for more than one-half of their support. The committee has eliminated the eligibility of parents, since it is difficult to go this far without including parents-in-law, the inclusion of whom invites a logical extension to persons who stand in loco parentis to the member. Since more than 95 percent of the dependents of active-duty personnel are spouses and children, the exclusion of parents is not considered an unreasonable restriction.

Whose dependents are eligible.—Eligibility is extended under title I to the dependents, as defined above, of members of the uniformed services who are serving on active duty or active duty for training under a call or order that does not specify a period of 30 days or less. Eligibility of dependents would terminate when the member is released to inactive duty. Dependents of persons who died while a member of the uniformed services would be eligible for medical care in facilities of the uniformed services. Title III extends eligibility to dependents of retired members and dependents of persons who died while retired members.

Limitations on medical care.—The medical care authorized to be provided in the facilities of the uniformed services is limited to diagnosis, treatment of acute medical and surgical conditions, treatment of contagious diseases, immunization, and maternity and infant care. Dependents of Navy and Marine Corps personnel would thus become entitled to treatment for contagious diseases.

Exclusions and limitations.—Hospitalization is prohibited for domiciliary care and for elective medical and surgical treatments. Hospitalization for chronic diseases and for nervous and mental disorders would be authorized only in special cases for not to exceed 12 months. There is a general exclusion of the furnishing of prosthetic devices, hearing aids, orthopedic footwear, and spectacles, but exceptions may be made and these articles furnished at Government cost to persons outside the continental limits of the United States and at remote stations within the United States where adequate civilian facilities are not available. Only in exceptional circumstances may home calls be made or ambulance service provided. Dental care is prohibited except in emergencies, as a necessary adjunct to medical or surgical treatment, and outside the United States or in remote areas within

the United States where adequate civilian dental facilities are not available.

These exclusions and limitations differ from current practices in that (1) the Army and the Air Force provide dental care to dependents generally when such action does not interfere with the dental care of persons on active duty, while for practical purposes the Navy provides no dental care to dependents, (2) the Army and the Air Force now provide care for nervous and mental disorders when the necessary facilities are available and domiciliary care under emergency conditions for short periods, while the Navy does not provide care in these categories.

Equal opportunity for care.—The Secretary of Defense and the Secretary of Health, Education, and Welfare are required to prescribe regulations intended to assure that dependents of a member of one uniformed service shall have equal opportunity for medical care in the facilities of a uniformed service different from the one of which their sponsor is a member.

Charges for inpatient medical care.—The Secretaries concerned are required to establish uniform charges for inpatient medical care furnished dependents in medical facilities of the uniformed services. These charges now are \$1.75 per day, of which approximately \$1.05 is attributable to the cost of subsistence items, with the remainder including cost of preparation and an element of service charge.

Charges for outpatient care.—Permissive authority would be granted for the imposition of token charges for outpatient care if this action is necessary to prevent abuse of the privilege.

Medical care authorized subject to conclusive determination of availability.—This title also provides that the eligible dependents shall be furnished medical care in the facilities of the uniformed services upon their request if the necessary space, facilities, and capabilities are available. However, the medical officer in charge, or his designee, is empowered to make a conclusive determination as to the availability of the necessary space, facilities, and capabilities.

TITLE II

This title would empower the Secretary of Defense to contract with civilian sources for the medical care of spouses and children of members of the uniformed services on active duty or active duty for training. This authority is the principal new feature of the bill.

It has been estimated that 40 percent of the eligible spouses and children of members of the uniformed services do not now receive medical care in the facilities of the services. In finite numbers, this 40 percent represents approximately 838,000 spouses and children. This estimate is made by extrapolating patient data from medical facilities overseas, where almost all dependent medical care is secured from facilities of the uniformed services, onto a comparison of the dependent care provided within the United States with the estimated number of dependents here. This does not mean that 40 percent of the eligible dependents attempted to obtain medical care from facilities of the uniformed services and could not be accommodated, since undoubtedly many of them did not have access to facilities of the uniformed services or simply did not require medical care.

The contracts for medical care from civilian physicians and hospitals would constitute a new method to provide for those dependents who do not have access to facilities of the uniformed services.

Method of providing civilian care.—Authority would be granted for providing civilian care under a medical service, insurance, or health plan, or a combination of any of the three methods.

Under the medical service concept, intermediaries such as the Blue Cross-Blue Shield organizations secure agreements from physicians and hospitals to provide designated services and facilities in exchange for stipulated fees and charges. Members of the organizations pay monthly premiums for the privilege of availing themselves of the medical services and facilities provided in the agreement. The organization acting as intermediary, rather than the person receiving treatment, compensates the physicians and hospitals providing the services.

Health insurance, stated generally, involves an agreement by the underwriters to pay specified sums if the insured person requires medical care and hospitalization of the types covered by the policy. The person covered pays a premium to the insurance underwriters. Benefits under the policy are paid to the insured, who in turn compensates the physicians and hospitals providing the services. The fees and charges do not necessarily correspond to the benefits paid under the policy.

Group health plans provide medical service through their own clinics and physicians and hospitalization through contracts with local hospitals.

Priority to spouses and children of active personnel.—The bill compels a contract for the medical care of wives and children of persons on active duty. The insurance, medical service, or health plan contract for wives and children of active duty personnel is restricted to the following maximums: (1) Hospitalization in semiprivate accommodations up to 365 days; (2) medical and surgical care incident to a period of hospitalization; (3) complete obstetrical and maternity service, including prenatal and postnatal care; (4) required services of a physician or surgeon prior to and following hospitalization for a bodily injury or for a surgical operation; and (5) diagnostic tests and procedures. The patient must pay only the first \$25 of hospital expenses or the prevailing charge for inpatient care in facilities of the uniformed services multiplied by the number of days hospitalized, whichever is greater.

Freedom to choose civilian facilities or those of uniformed services.—Perhaps the most controversial provision in the bill is that contained in subsection 201 (b). This subsection provides that the spouses and children for whom civilian care must be contracted may elect to receive medical care in facilities of the uniformed services or in the facilities provided under an insurance, medical service, or health plan, except that the right of election may be limited by regulations for those dependents residing with members assigned to areas where adequate medical facilities of a uniformed service are available for such dependents.

The authority to limit this election was assailed by private medical and hospital organizations, apparently from apprehension that the power to limit choice would result in an expansion of facilities of the uniformed services and an increase in the number of physicians

required to provide medical care for dependents. The opposing argument is that a preponderant utilization of civilian facilities and services might result in an unjustifiable and uneconomical failure to use existing capacities in facilities of the uniformed services; it might also deny medical personnel of the uniformed services the opportunity for a diversified practice, since limiting their patients to the presumably healthy active duty personnel hardly offers the varied practice that is desirable to attract career medical personnel.

The committee has left this subsection virtually intact in the belief that the fears expressed about it are based on the assumption that the present or some future Secretary of Defense might be guilty of an egregious abuse of the discretion granted. It is the understanding of the committee that the bill is not intended to cause an expansion of facilities or an increase in the number of physicians in the uniformed services solely to provide dependent medical care. Even if the bill tended to have these effects, the committee would have to approve the authority for an expansion of facilities and for compelling involuntary service by physicians. Any such requested authority would be carefully examined by the committee in relation to the exercise of the power to restrict free choice.

Deletion of permissive coverage.—The committee eliminated a provision that would have granted permissive authority to contract for civilian medical care of dependents other than spouses and children, of retired members and their dependents, and for surviving spouses and children of deceased personnel. This action was taken in the realization that the plan to procure civilian medical care for dependents is admittedly experimental, with many uncertainties as to cost and practicality of administration. The cost estimates for providing medical care for dependents in these categories comparable to that which will be provided for spouses and children of active duty personnel were disproportionately high because of the ages of the retired members and dependents who would have been eligible. Until it can be demonstrated that the new plan can be administered successfully and until cost experience can be developed, the committee decision was that dependents other than spouses and children of active duty personnel should not be made eligible for the civilian care plan.

Care for dependents outside United States.—Almost all the medical care now received by dependents of members of the uniformed services who are located outside the United States is furnished by medical facilities of the uniformed services. However, some members and dependents are stationed at locations where there are no medical facilities of the uniformed services available. The committee deleted a section of the bill authorizing contracts for the civilian care of dependents located outside the continental limits of the United States where medical facilities of the uniformed services are not available, since the Secretary of Defense has adequate authority under section 201 to contract for the medical care of dependents outside the continental United States. By requiring any such contracts for civilian medical care outside the United States to be made under authority of section 201, the same charges and limitations that are applied to such contract care in section 201 are made applicable to care outside the United States.

Review and readjustment of payments.—The bill requires that any insurance, medical service, or health plan entered into by the Secretary

of Defense for providing medical care to dependents from civilian sources shall contain a provision for an annual review and any necessary adjustment of payments not later than 4 months after the end of the first year in which the plan is in operation. The committee has added a provision requiring reports to the Armed Services Committees of the Congress within 90 days after any such review and readjustment. These reports would indicate the payments made during the year under review and any adjustments thereof.

Advisory committees.—The Secretary of Defense would be authorized to establish advisory committees composed of representatives of insurance, medical service, and health plans to consult and make recommendations regarding the operation of the plan to procure medical care for dependents from civilian sources. The service of these representatives would be without compensation, but they may be allowed transportation and per diem in lieu of subsistence and other expenses.

TITLE III

Medical and dental care for active duty personnel.—Persons on active duty and active duty for training are required to be furnished necessary medical and dental care. This practice is being followed today but, until now, there has been no statutory authority for members of the Armed Forces to be hospitalized in facilities of the Public Health Service or for uniformed members of the Coast Guard, Coast and Geodetic Survey, or Public Health Service to be hospitalized in facilities of the Armed Forces.

Medical and dental care for retired personnel.—Retired personnel, including persons retired under title III, Public Law 810, 80th Congress, would be eligible for medical and dental care in facilities of the uniformed services. This care is subject to the availability of space, facilities, and capabilities of the medical staff.

The committee eliminated a provision designed to place persons retired after having served on active duty for at least 30 years in a preferential status concerning their eligibility for continued care in facilities of the uniformed services. This provision would have nullified requirements of existing Executive orders that personnel retired for physical disability who require hospitalization for blindness, tuberculosis, and psychiatric disorders be cared for in facilities of the Veterans' Administration. Since the Veterans' Administration has special facilities for the treatment of these diseases, the committee was not inclined to require continued hospitalization of these persons in facilities of the uniformed services.

Medical care for dependents of retired members.—Dependents of retired members, including those persons retired under title III of Public Law 810, 80th Congress, would be eligible for medical care only in facilities of the uniformed services. This care is also subject to the availability of space, facilities, and capabilities of the medical staff. The care that may be provided is limited to that which is authorized dependents of active members under title I of the bill.

Reimbursement of service furnishing care.—When a member, retired member, or dependent receives medical or dental care from facilities of another uniformed service, the appropriations of the service furnishing the care are required to be reimbursed from appropriations available to the service of which the person who receives the care, or who is

the sponsor of the dependent receiving the care, is a member at rates established by the Bureau of the Budget to reflect the average cost of providing such care.

Subsistence allowance of retired enlisted personnel.—Existing law grants retired enlisted personnel of the Navy and the Marine Corps a subsistence allowance when they are hospitalized in a Federal hospital. This allowance is set off against the subsistence charge made against these retired persons when they are hospitalized. Retired enlisted personnel of the Army and the Air Force do not receive a subsistence allowance when hospitalized. To achieve uniformity, the bill repeals the existing provision of law granting subsistence allowances to retired personnel of the Navy and the Marine Corps when they are hospitalized and provides that retired enlisted personnel of all services shall not be charged for subsistence when hospitalized in a medical facility of a uniformed service. This provision is intended to place retired enlisted personnel of all the uniformed services on an equal basis as regards their subsistence when hospitalized. Commissioned officers and warrant officers would be required to pay a subsistence allowance when hospitalized in a facility of a uniformed service.

Hospitalization beyond 365 days.—Title II of the bill requires that the contract to provide medical care from civilian sources must include a provision for hospitalization up to 365 days for each admission. In those cases where a spouse or child still required hospitalization after the period of time specified in the civilian care contract had elapsed, the bill authorizes the transfer of such person to a medical facility of a uniformed service. If movement to a medical facility of a uniformed service cannot be accomplished, expenses for additional hospitalization in a civilian facility are authorized to be paid under regulations promulgated by the Secretary of Defense after consultation with the Secretary of Health, Education, and Welfare. The continued hospitalization that could be provided beyond 365 days is limited to the types authorized in medical facilities of the uniformed services.

Conclusive determination of dependency.—In commenting on the bill, the Comptroller General pointed out that civilian hospitals could not admit dependents under the civilian care plan without definite assurance that these persons were in fact dependents as defined in the bill. The Comptroller suggested that the bill should contain provisions similar to those in the Dependents' Assistance Act of 1950, which give the service concerned the responsibility for making determinations of dependency and which make such determinations final and conclusive for the purposes of the act. Section 304 of the bill has been added in an attempt to comply with this suggestion. The determination would not be conclusive in cases involving fraud or gross negligence.

Costs

The medical care authorized in title I and title III of the bill would be provided from facilities of the uniformed services. Enactment of the bill should not result in any significant change in these costs. The cost of medical care in the Department of Defense for fiscal year 1956 is estimated at \$818 million, of which total the Department attributes \$97 million to dependent care. The estimate of \$818 million includes pay of military and civilian personnel, supplies and

equipment, maintenance of buildings, repairs, and utilities, but excludes so-called capital costs. The Department advised the committee that it is practically impossible to allocate amortization of capital costs. A corresponding estimate for the cost of providing medical care in facilities of the Public Health Service for fiscal year 1956 is \$30 million.

The principal new cost that will result from enactment of the bill is that attributable to the civilian care that would be authorized by title II. These cost estimates are subject to basic assumptions, notable of which are (1) the estimate that 40 percent of the dependents of members of the uniformed services will avail themselves of the civilian care to be authorized, and (2) agreement by physicians to some type of maximum fee schedule such as that now in use by the Veterans' Administration. As was mentioned earlier in this report, the Secretary of Defense would be required to contract for civilian care of spouses and children of active duty personnel, the number of whom within the United States is estimated to be approximately 2.1 million. On the assumption that 40 percent of the 2.1 million eligible spouses and children would receive care from civilian facilities, the Blue Cross-Blue Shield organizations estimate that the cost of providing the care authorized by the bill for the incidence of illness that would occur among 40 percent of the eligible persons is \$53,200,000. The insurance underwriters estimate that to provide indemnity coverage under the same assumption would cost between \$50 and \$55 million. These estimates are for the dependents of personnel of the Armed Forces only and would be increased by approximately \$1 million to include spouses and children of eligible personnel in the Public Health Service, Coast and Geodetic Survey, and the Coast Guard. These estimated costs include those attributable to administrative expenses.

DEPARTMENTAL RECOMMENDATIONS

Printed below and made a part of this report are communications from the Bureau of the Budget and the General Accounting Office. The letter from the Bureau of the Budget indicates that enactment of the bill would be in accord with the program of the President and that its favorable consideration is strongly recommended.

Many of the suggestions included in these two communications have been adopted by the committee.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., April 11, 1956.

HON. RICHARD B. RUSSELL,
*Chairman, Committee on Armed Services,
United States Senate, Washington, D. C.*

MY DEAR MR. CHAIRMAN: Your committee has under consideration H. R. 9429, a bill to provide medical care for dependents of members of the uniformed service, and for other purposes. I am authorized to advise you that enactment of such legislation would be in accord with the program of the President and that its favorable consideration by the committee is strongly recommended. There

are, however, several matters which we would like to suggest that the committee consider by way of possible amendments.

1. As passed by the House, the bill gives the Secretaries of Defense and Health, Education, and Welfare, great latitude in the medical and hospital services which they may provide dependents through community hospitals and private physicians. Because this is a new program without precedent or experience in which benefits once authorized by regulations cannot, if they exceed budget estimates, be eliminated without seriously affecting morale and since it is important for morale that the same services be provided dependents of all seven uniformed services, it is suggested that H. R. 9429 be amended to require approval by the President of all implementing regulations issued by the Secretaries of Defense and Health, Education, and Welfare.

2. Section 103 (g) provides that hospitalization for domiciliary care, nervous and mental disorders, chronic diseases, and elective treatments is not authorized dependents in medical facilities of the uniformed services except as provided in the Secretary of Defense's regulations. The intent appears to be to prohibit these types of care for dependents except as authorized by the Secretary of Defense in unusual situations. To allow such care in some cases but not in others is sure to generate a growing demand for broadening the regulations to provide it for all dependents. In fact, providing the Secretary with this authority, even if he does not use it, will lead to constant pressure on him to authorize such care for all dependents. Provision of this long-term care will necessitate specialized medical facilities which are not now available for dependents and will interfere with the care of active duty patients in an emergency. It is, therefore, recommended that section 103 (g) be amended to establish statutory standards which will strictly limit the time period (perhaps 6 months) during which hospitalization of dependents in facilities of the uniformed services may be authorized for nervous and mental disorders and chronic diseases. It is also recommended that section 103 (g) be amended to prohibit hospitalization of dependents in facilities of the uniformed services for domiciliary care and elective treatments.

3. The bill provides that when members or retired members of a uniformed service are cared for in the medical facility of another uniform service, the facility providing the care shall be reimbursed at rates set by the Secretary of Defense. On the other hand, there would be no reimbursement for care of dependents in similar circumstances. The Bureau's experience in budgeting for our Federal hospital systems indicates the desirability of the agency providing the care be reimbursed in order that the agency responsible for the patients shall bear the cost of their care and that funds to meet the expenses of providing the care are available to the facility actually rendering the care. Our experience also indicates that the administrative cost of the interchange of funds is less when an outside agency like the Bureau of the Budget sets a uniform reimbursement rate in order to resolve disagreements on the amount and coverage of the rates. It is, therefore, suggested that the bill be amended to require that when a dependent of a member or a retired member of a uniformed service receives care in a facility of another uniformed service, the medical facility furnishing the care be reimbursed at rates established by the Bureau of the Budget to reflect the average cost of providing such care.

If, on the other hand, your committee feels it is not desirable to require reimbursement in such cases, it is suggested that the bill be made consistent by eliminating the requirement in section 301 for reimbursement between the uniformed services for care of members or retired members of such services.

4. Section 201 (c) authorizes the Secretary of Defense to limit the right of dependents to choose between care in medical facilities of the uniformed services and care in community facilities whenever the member concerned is assigned to a post or installation where adequate medical facilities of a uniformed service are available. In our opinion giving the Secretary of Defense such authority is unnecessary and if generally used could result in considerable administrative expense which would serve no useful purpose. We believe that the bill makes care in uniformed service medical facilities more desirable than in community facilities for a number of reasons. One of the chief reasons is the fact that the uniformed service facilities will provide outpatient care and their charges to the dependents for inpatient care will normally be less than in community facilities. There is also a natural desire on the part of many members of the uniformed services to utilize their service facilities for care of their dependents. We, therefore, feel there is no need for concern about the possible poor utilization of available uniformed service dependent care facilities and that they will be fully and effectively competitive with civilian facilities.

5. Section 302 attempts to correct an existing inequity in law by authorizing the payment of a ration allowance to retired enlisted men of the Army and Air Force when hospitalized in a Federal hospital in the same way as now paid to Navy and Marine Corps retired enlisted personnel. When such personnel are hospitalized they now pay a subsistence charge so that the effect of section 302 is to furnish the retired enlisted men with the money with which to pay this charge. This double financial transaction accomplishes nothing and is administratively expensive. It is, therefore, recommended that the existing inequity be corrected by repealing section 207 of the act of June 25, 1938 (52 Stat. 1180), and by amending section 301 of H. R. 9429 to provide for a subsistence charge only for retired officer and warrant officer patients.

6. Other less important changes in H. R. 9429 which the committee may wish to consider are:

Deletion of section 203 since the Secretary of Defense has adequate authority under section 201 to contract for medical care of dependents outside continental United States. If section 203 remains in the bill, it should be amended to make applicable the same charges and limitations as are applied to such contract care in section 201.

Amendment of section 301 to eliminate the special status given retired personnel with more than 30 years' service as compared with those with less than 30 years' service. The special status afforded 30-year personnel would nullify as far as they are concerned the requirement of Executive Order 10440 issued under the Career Compensation Act of 1949, that personnel retired for physical disability who require hospitalization for blindness, neuropsychiatric or psychiatric disorders and tuberculosis shall be cared for in Veterans' Administration hospitals. The Veterans' Administration has specialized facilities for the care of these chronic diseases and this provision of the Executive order

is thus for the good of both the patient and the Government. The Executive order does permit personnel retired for disability who have 20 years of service to elect to go to military hospitals rather than Veterans' Administration hospitals for acute illness or other chronic diseases. Thus, it seems to us that this section is unnecessary.

Amend section 303 to restrict to the care authorized in section 103 the additional hospitalization which the Secretary of Defense may provide dependents and retired personnel who require hospitalization beyond that provided by the insurance, medical service, or health plan. As now written, section 303 would permit additional hospitalization of dependents for conditions for which they could not have been originally admitted to medical facilities of the uniformed services.

Sincerely yours,

PERCIVAL F. BRUNDAGE, *Director.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, D. C., March 20, 1956.

HON. RICHARD B. RUSSELL,
Chairman, Committee on Armed Services,
United States Senate.

DEAR MR. CHAIRMAN: Your letter of March 6, 1956, acknowledged March 12, 1956, requests our comments on the bill, H. R. 9429, to provide medical care for dependents of members of the uniformed services, and for other purposes.

The declared purpose of the bill is to provide a uniform program of medical care for dependents of members of the uniformed services. This bill is the fourth in a series of bills introduced in the 84th Congress for providing such medical care. See S. 934 and S. 2720 (on which we commented in letters addressed to you on March 31 and September 30, 1955, respectively, our file B-120343) and H. R. 7994. The provisions of H. R. 7994 (the third bill in this series) as drafted by the Department of Defense were substantially in accord with the comments made in our letters to you on its two antecedents. H. R. 9429, however, is materially different from its predecessors.

H. R. 9429 would include in its coverage the dependents of all members of the uniformed services who have entered on active duty or active duty for training for a period in excess of 30 days and the dependents of certain retired members of the uniformed services. In addition to the wives or husbands of the members and their children, parents and parents-in-law, if in fact dependent on the member for over one-half of their support, are declared to be dependents for purposes of the bill.

H. R. 9429 apparently contemplates that the medical care which it authorizes will primarily be furnished on a substantially cost-free basis by the medical facilities of the uniformed services, subject to the availability of space, facilities, and capabilities of the medical staff. Such care is, for the most part, now provided by the services concerned. Consequently, that feature of the bill does not represent any material departure from established practice.

H. R. 9429 provides further for the establishment of an insurance or health plan under which medical care will be provided by civilian medical facilities for those dependents, estimated to comprise 40 per-

cent of the dependent medical-care load, who cannot be cared for by military medical facilities. With the exception of the first \$25 of the hospital charges, the entire cost of this insurance or health plan is to be borne by the Government. Aside from fixing a minimum of benefits which must be provided under this civilian medical-care program, the implementation of the program is left entirely to the discretion of the military departments, the Secretary of Defense being authorized to contract for the insurance or health plan which he desires and to fix the scope and coverage of the plan and to expand the coverage if he deems it desirable.

The hearings conducted on H. R. 7994 by a subcommittee of the Committee on Armed Services of the House of Representatives, Committee Print No. 53, indicate that in order to meet the minimum requirements of the civilian medical features of H. R. 9429 the insurance or health plan will have to provide:

1. Payment of all hospital charges in excess of \$25, based upon the use of semiprivate accommodations for up to 365 days for each disability.
2. All surgeons' fees.
3. All in-hospital physician's costs.
4. All charges by physicians or hospitals for maternity costs, including necessary prenatal and postnatal care.
5. All preoperative and postoperative charges by physicians for necessary periods of diagnosis and convalescent care, including X-ray and laboratory costs incurred during those periods.

The hearings further indicate that the cost of providing this minimum civilian medical care for 40 percent of the dependent medical care load, exclusive of dependents of retired individuals, will be approximately \$80 million for the first year of the program. See also House Report 1805, 84th Congress, on the present bill, H. R. 9429. The bill provides, however, for a review of the plan not later than 120 days after the first year of operation for the purpose of adjusting the Government's costs to agree with the actual cost of the civilian medical care provided.

The question of whether civilian medical care for the dependents of members of the uniformed services should be provided by the Government is a matter of policy and we make no comment in that respect. We are concerned, however, with controlling the cost to the Government of this program.

Neither this insurance type of civilian medical care program, nor anything approaching it, has ever been placed in effect under the conditions that exist in the uniformed services. In recent years private industry has begun to provide similar medical care programs for the dependents of its employees and, under some of those plans, the entire cost of the program is borne by the employer. Such private industrial plans, however, would not appear to constitute a sound basis for evaluating this proposed Government program because of the different conditions of employment and stabilized living conditions.

If the civilian medical care plan envisaged by H. R. 9429 is to be adopted, we believe that in order to maintain some effective control over expenditures the bill should, at least for the first few years of its operation, fix maximum rather than minimum limits on the medical care which may be provided. Also, it would appear that in view of

its more or less experimental nature any program of this magnitude should be authorized initially for a limited time. Such a limitation would provide a means whereby Congress could subject the program to a careful review on the basis of actual operating experience.

The provisions of H. R. 9429 requiring that parents and parents-in-law be dependent on the member for chief support may give rise to serious administrative and other difficulties. Neither the Government nor the insurer would be liable for medical expenses incurred if the parent should prove not to be a dependent within such provisions. Under these conditions, civilian hospitals could not admit parents as patients under the plan without definite assurance that they are covered. A prompt and conclusive determination of the question would have to be made. Facing this situation, it would appear that the bill should contain some provision giving the service concerned the responsibility for making such determinations and making such determinations final and conclusive for the purposes of the act. See, for example, sections 1, 10, and 11 of the Dependents Assistance Act of 1950 (64 Stat. 794). Moreover, it is not readily apparent how the civilian medical care program contemplated by H. R. 9429 could, in actual practice, be definitely fixed at 40 percent of the uniformed services dependent medical care load. Dependents would not be divided into two distinct groups, by name or otherwise, and it is not apparent how, as a practical matter, the patients' care could be divided between civilian and Government facilities, even approximately, on such a definite proportion, for which the Government, nevertheless, would pay the insurance. We believe that this aspect of the bill should be fully explained by the services concerned.

In the interest of economy and more effectively to prevent abuses under this proposed program, it would appear that some form of co-insurance might well be coupled with the requirement for a \$25 payment for each period of hospitalization. This could be accomplished by a provision requiring, in addition to the \$25 payment, the payment of some percentage of the cost of medical care in excess of \$400 or \$500. We understand that such a coinsurance feature is contained in the proposed medical care program for Federal civilian employees.

We have no facts upon which to base an accurate estimate of the cost of this bill. It seems obvious, however, that such costs will be heavy. See, in this regard, our letter of September 30, 1955, commenting on S. 2720. Also, it may be noted that when provision was first made for hospitalizing veterans with non-service-connected disabilities in Veterans' Administration facilities it was thought that the expense of hospitalization would be nominal because the use of existing facilities only was involved. The present cost of this hospitalization, however, is in the neighborhood of \$500 million annually. See pages 34, 35, and 36 of the February 1955 report on Federal Medical Services by the Commission on Organization of the Executive Branch of the Government.

The mentioned report of February 1955 made specific recommendations relative to providing medical care for dependents of members of the uniformed services. The financing features of H. R. 7994 are more in accord with such recommendation than are the financing features of H. R. 9429, and it is our view that the recommendations of that Commission should receive the most careful consideration.

From the standpoint of certainty as to costs and ease of administration, H. R. 7994 seems clearly preferable to H. R. 9429 at this time.

On the question of whether this bill might give rise to claims by individual dependents against the United States for hospitalization, it may be noted that the bill does not vest absolutely in the dependents a right to medical care in public medical facilities, such care being authorized only on the basis of availability and capability of public facilities. Consequently, it is doubtful that liability would attach to the United States under those features of the bill. Section 201 of the bill would impose a mandatory obligation on the Secretary of Defense to provide by contract for the medical care of wives and children of all members of the uniformed services. It is to be assumed, of course, that the Secretary will discharge his duty and make the necessary insurance contracts. To the extent that medical care is provided by contract, the Government's liability would appear to be limited to its obligations under the contract. Since the Secretary has some discretion to provide or not to provide medical care for classes of dependents other than wives and children, it is doubtful that, aside from that imposed by contract, any liability would attach to the Government where such dependents are concerned.

In summary we recommend that, if H. R. 9429 rather than H. R. 7994 is to be approved:

1. The program be authorized initially for a limited period.
2. The benefits be authorized on a maximum rather than a minimum basis.
3. Provisions be made for prompt and conclusive administrative determinations of dependency in the case of parents and parents-in-law.
4. Some effective means be developed whereby the proportion of civilian medical care may be determined, with provision for appropriate adjustments in the amounts payable by the Government under the insurance contracts.
5. Some form of coinsurance be coupled with the requirement for a \$25 payment for each period of hospitalization.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill:

EXISTING LAW

THE BILL

Act of July 5, 1884 (ch. 217, 23 Stat. 107)

MEDICAL DEPARTMENT.— * * *
Provided, That the medical officers of the Army and contract surgeons shall whenever practicable attend the families of the officers and soldiers free of charge.

Act of May 10, 1943 (ch. 95, 57 Stat. 80)

SECTION 1. For the purpose of expanding facilities for the hospitalization of dependents of personnel of the Navy and Marine Corps, and others as herein provided, there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$2,000,000.

SEC. 2. The hospitalization of dependents of naval and Marine Corps personnel at any naval hospital shall be at such per diem or other rate as may be prescribed from time to time by the President, and all sums received in payment of such hospital charges shall be deposited to the credit of the appropriation or fund for the maintenance and operation of naval hospitals.

SEC. 3. The term "dependents" shall include a lawful wife, unmarried dependent child (or children) under twenty-one years of age, and the mother and father of a member of the Navy or Marine Corps if in fact such mother or father is dependent on such member. The term "child (or children)" shall include a natural or adopted child or stepchild. The widows of deceased naval and Marine Corps personnel shall be entitled to hospital care in like manner as dependents.

* * * *

SEC. 306. The following laws and parts of laws are hereby repealed:

(1) So much of the Act of July 5, 1884 (ch. 217, 23 Stat. 107), as is contained in the proviso under the heading "

(2) The Act of May 10, 1943 (ch. 95, 57 Stat. 80), except section 4 of such Act and except that part of section 5 which relates to persons outside the naval service mentioned in section 4 of such Act.

EXISTING LAW

THE BILL

SEC. 5. Hospitalization of the dependents of naval and Marine Corps personnel and of the persons outside the naval service mentioned in section 4 of this Act shall be furnished only for acute medical and surgical conditions, exclusive of nervous, mental, or contagious diseases or those requiring domiciliary care. Dental treatment shall be administered only as an adjunct to inpatient hospital care and shall not include dental prosthesis or orthodontia.

SEC. 6. During such periods as the Coast Guard may operate as a part of the Navy, the provisions of this Act shall apply to dependents of personnel of the Coast Guard in like manner and to the same extent as to dependents of personnel of the Navy and Marine Corps.

Public Health Service Act (ch. 373, 58 Stat. 682)

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SERVICES TO COAST GUARD, COAST
AND GEODETIC SURVEY, AND
PUBLIC HEALTH SERVICE

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SEC. 326. (b) Subject to regulations of the President, the dependent members of families (as defined in such regulations) of persons specified in subsection (a), other than temporary members of the United States Coast Guard Reserve, shall be furnished medical advice and out-patient treatment by the Service at its hospitals and relief stations, and they shall also be furnished hospitalization at hospitals of the Service, if suitable accommodations are available, at a per diem cost to the officer, enlisted person, or member of a crew concerned. Such cost shall be at such uniform rate as may be prescribed from time to time by the

(3) Section 326 (b) of the Public Health Act, except as it relates to dependent members of families of ships' officers and members of crews of vessels of the Coast and Geodetic Survey.

EXISTING LAW

THE BILL

President for the hospitalization of dependents of naval and Marine Corps personnel at any naval hospital, pursuant to section 2 of the Act of May 10, 1943 (57 Stat. 80).

Act of July 1, 1944 (ch. 373, 58 Stat. 682) as amended by the Act of August 13, 1946 (ch. 958, 60 Stat. 1040)

(4) Section 710 (a) of the Act of July 1, 1944 (ch. 373, 58 Stat. 714), as amended.

SEC. 710 (a). Subject to regulations of the President, members of the Women's Reserve of the Coast Guard, or their dependents, shall be entitled to the benefits provided by section 326 for male officers and enlisted men of the Coast Guard or their dependents: *Provided*, That the husbands of such members shall not be considered dependents, and the children of such members shall not be considered dependents unless their father is dead or they are in fact dependent on their mother for their chief support.

Act of June 25, 1938 (52 Stat. 1180)

SEC. 207. Members of the Fleet Reserve and retired enlisted men shall receive the ration allowance prescribed by law for enlisted men of the Regular Navy when such men are hospitalized in a Federal Hospital in accordance with la

(6) Section 207 of the Act of June 25, 1938 (52 Stat. 1180).

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